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TOWNSHIP OF SAGE
Gladwin County, Michigan

RECEIVED

GENERAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

✓ AUG - 6 2004

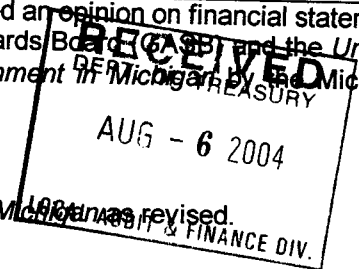
Year Ended March 31, 2004

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Sage	County Gladwin
Audit Date March 31, 2004	Opinion Date July 6, 2004	Date Accountant Report Submitted to State: July 6, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan, by the Michigan Department of Treasury.



We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan*, as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year ended pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (Program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Accountant Signature		Zip 48707	

TOWNSHIP OF SAGE
Gladwin County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

July 6, 2004

To the Township Board
Township of Sage
Gladwin County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Sage, Gladwin County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Sage's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Sage, Gladwin County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Sage, Gladwin County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF SAGE
Gladwin County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

EXHIBIT A

	<u>Governmental Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Groups</u>	
	<u>General</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long- Term Debt</u>
<u>Assets</u>				
Cash in bank	234 999 46	2 150 71	-	-
Taxes receivable	24 043 48	-	-	-
Due from other funds	244 00	-	-	-
Land	-	-	9 000 00	-
Buildings	-	-	583 149 40	-
Equipment	-	-	23 808 37	-
Amount to be provided for retirement of long-term debt	-	-	-	314 855 43
Total Assets	<u>259 286 94</u>	<u>2 150 71</u>	<u>615 957 77</u>	<u>314 855 43</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Due to other funds	-	244 00	-	-
Due to others	-	1 906 71	-	-
Note payable	-	-	-	314 855 43
Total liabilities	<u>-</u>	<u>2 150 71</u>	<u>-</u>	<u>314 855 43</u>
Fund equity:				
Investment in general fixed assets	-	-	615 957 77	-
Fund balances:				
Unreserved:				
Undesignated	259 286 94	-	-	-
Total fund equity	<u>259 286 94</u>	<u>-</u>	<u>615 957 77</u>	<u>-</u>
Total Liabilities and Fund Equity	<u>259 286 94</u>	<u>2 150 71</u>	<u>615 957 77</u>	<u>314 855 43</u>

The accompanying notes are an integral part of these financial statements.

Total
(Memorandum
Only)

237 150 17

24 043 48

244 00

9 000 00

583 149 40

23 808 37

314 855 43

1 192 250 85

244 00

1 906 71

314 855 43

317 006 14

615 957 77

259 286 94

875 244 71

1 192 250 85

TOWNSHIP OF SAGE
Gladwin County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES EXHIBIT B
Year Ended March 31, 2004

	Total (Memorandum Only) <u>General Fund</u>
Revenues:	
Property taxes	49 000 32
Licenses and permits	5 799 76
State revenue sharing	193 225 50
Interest	1 739 27
Rents	4 475 00
Special assessments	183 065 50
Miscellaneous	4 623 98
Total revenues	<u>441 929 33</u>
Expenditures:	
Legislative:	
Township Board	27 248 15
General government:	
Supervisor	6 210 84
Elections	435 00
Assessor	26 282 19
Clerk	10 074 01
Board of Review	1 039 50
Treasurer	10 081 50
Building and grounds	17 778 84
Public safety:	
Fire protection	58 711 24
Planning and zoning	5 104 02
Public works:	
Highways and streets	21 279 50
Sanitation	123 068 38
Compost site	539 00
Culture and recreation:	
Parks and recreation	1 720 00
Capital outlay	501 96
Debt service	96 212 00
Total expenditures	<u>406 286 13</u>
Excess of revenues over expenditures	35 643 20
Fund balance, April 1	<u>223 643 74</u>
Fund Balance, March 31	<u>259 286 94</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SAGE
Gladwin County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND **EXHIBIT C**
Year Ended March 31, 2004 **Page 1**

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property taxes	44 882 42	49 000 32	4 117 90
Licenses and permits	8 850 00	5 799 76	(3 050 24)
State revenue sharing	225 743 00	193 225 50	(32 517 50)
Interest	2 750 00	1 739 27	(1 010 73)
Rents	22 000 00	4 475 00	(17 525 00)
Special assessments	167 882 06	183 065 50	15 183 44
Miscellaneous	<u>1 460 00</u>	<u>4 623 98</u>	<u>3 163 98</u>
Total revenues	<u>473 567 48</u>	<u>441 929 33</u>	<u>(31 638 15)</u>
Expenditures:			
Legislative:			
Township Board	36 932 23	27 248 15	(9 684 08)
General government:			
Supervisor	6 500 00	6 210 84	(289 16)
Elections	2 250 00	435 00	(1 815 00)
Assessor	26 200 00	26 282 19	82 19
Clerk	10 200 00	10 074 01	(125 99)
Board of Review	1 010 00	1 039 50	29 50
Treasurer	11 000 00	10 081 50	(918 50)
Building and grounds	46 680 00	17 778 84	(28 901 16)
Public safety:			
Fire protection	57 511 24	58 711 24	1 200 00
Planning and zoning	5 650 00	5 104 02	(545 98)
Public works:			
Highways and streets	92 872 00	21 279 50	(71 592 50)
Sanitation	117 000 00	123 068 38	6 068 38
Compost site	6 500 00	539 00	(5 961 00)
Culture and recreation:			
Parks and recreation	3 300 00	1 720 00	(1 580 00)
Other:			
Contingency	120 995 53	-	(120 995 53)
Capital outlay	2 000 00	501 96	(1 498 04)
Debt service	<u>96 300 00</u>	<u>96 212 00</u>	<u>(88 00)</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SAGE
Gladwin County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND EXHIBIT C
Year Ended March 31, 2004 Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Total expenditures	<u>642 901 00</u>	<u>406 286 13</u>	<u>(236 614 87)</u>
Excess (deficiency) of revenues over expenditures	(169 333 52)	35 643 20	204 976 72
Fund balance, April 1	<u>169 333 52</u>	<u>223 643 74</u>	<u>54 310 22</u>
Fund Balance, March 31	<u>-</u>	<u>259 286 94</u>	<u>259 286 94</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SAGE
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Sage, Gladwin County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Sage. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Joint Venture

The Township and the Townships of Buckeye, Hay, Gladwin, Grout and Sherman and the City of Gladwin jointly formed the Gladwin Rural Urban Fire District to provide fire protection service for the seven local governmental units. For the fiscal year ended March 31, 2004, the Township of Sage paid \$57,511.24 to the Fire District. The Fire District is not considered a part of the reporting entity of the Township of Sage. Separate financial statements of the Fire District may be obtained directly from their office at 710 East Cedar Avenue in Gladwin, Michigan.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

TOWNSHIP OF SAGE
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Account Groups

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

General Long-Term Debt Account Group

This account group presents the balance of general obligation long-term debt which is not recorded in proprietary funds.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

TOWNSHIP OF SAGE
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes (continued)

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was .8236 mills and the taxable value was \$59,505,942.00.

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.

TOWNSHIP OF SAGE
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States

TOWNSHIP OF SAGE
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments (continued)

banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>237 150 17</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	180 963 22
Uninsured and Uncollateralized	<u>67 638 35</u>
Total Deposits	<u>248 601 57</u>

The Township of Sage did not have any investments as of March 31, 2004.

TOWNSHIP OF SAGE
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 3 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land	9 000 00	-	-	9 000 00
Buildings	583 149 40	-	-	583 149 40
Equipment	<u>23 306 41</u>	<u>501 96</u>	<u>-</u>	<u>23 808 37</u>
Totals	<u>615 455 81</u>	<u>501 96</u>	<u>-</u>	<u>615 957 77</u>

Note 4 – Changes in General Long-Term Debt

A summary of changes in general long-term debt follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/04</u>
Contract payable – roads	53 000 00	-	53 000 00	-
Note payable – Township hall	<u>337 679 53</u>	<u>-</u>	<u>22 824 10</u>	<u>314 855 43</u>
Totals	<u>390 679 53</u>	<u>-</u>	<u>75 824 10</u>	<u>314 855 43</u>

Note 5 – Contract Payable – Roads

The Township has been making periodic payments on a loan from the Gladwin County Road Commission. As of March 31, 2004, the loan was paid in full.

Note 6 – Note Payable – Township Hall

On August 31, 2000, the Township entered into an installment purchase agreement, whereby the Township obtained a \$420,000.00 loan from Chemical Bank to partially fund the construction of a new Township hall. The loan requires monthly payments in the amount of \$3,601.00, including principal and interest at the rate of 6.25% per annum, subject to future adjustment. As of March 31, 2004, the principal balance outstanding was \$314,855.43, which is recorded in the General Long-Term Debt Account Group.

TOWNSHIP OF SAGE
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 7 – Budget Variances

For the fiscal year ended March 31, 2004, Township expenditures exceeded budgeted amounts in several activities as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
General Fund			
Activity:			
Assessor	26 200 00	26 282 19	82 19
Board of Review	1 010 00	1 039 50	29 50
Fire protection	57 511 24	58 711 24	1 200 00
Sanitation	117 000 00	123 068 38	6 068 38

Note 8 – Interfund Receivables and Payables

As of March 31, 2004, the amount of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>244 00</u>	Current Tax Collection	<u>244 00</u>
Total	<u>244 00</u>	Total	<u>244 00</u>

Note 9 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 10 – Pension Plan

The Township has a defined contribution pension plan covering all elected officers and full-time employees. The Township contributes 6.2% of each covered employee's wages to the plan. Each covered employee also contributes 6.2% of their wages to the plan. The net pension expense for the fiscal year ended March 31, 2004, was \$1,863.90.

Note 11 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

TOWNSHIP OF SAGE
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 12 – Building Permits

The Township of Sage does not issue building permits. Building permits are issued by the County of Gladwin.

Note 13 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF SAGE
Gladwin County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT D
Page 1

Township Board:	
Wages	1 840 00
Audit and accounting	2 150 00
Memberships and dues	1 253 55
Printing and publishing	1 537 87
Office expense	268 92
Insurance	900 00
Equalization	3 398 65
Payroll taxes	900 24
Pension	1 863 90
Legal	1 134 25
Summer tax	5 401 00
Software	4 495 00
Miscellaneous	2 104 77
	<u>27 248 15</u>
Supervisor:	
Salary	6 200 04
Office expense	10 80
	<u>6 210 84</u>
Elections:	
Wages	435 00
	<u>435 00</u>
Assessor:	
Contracted services	24 756 96
Expenses	1 525 23
	<u>26 282 19</u>
Clerk:	
Salary	9 500 04
Office expense	573 97
	<u>10 074 01</u>
Board of Review:	
Wages	900 00
Printing and publishing	139 50
	<u>1 039 50</u>
Treasurer:	
Salary	9 000 00
Office expense	1 081 50
	<u>10 081 50</u>
Building and grounds:	
Insurance	4 579 00
Utilities	5 961 92
Custodian	2 130 00
Repairs and maintenance	5 107 92
	<u>17 778 84</u>

TOWNSHIP OF SAGE
Gladwin County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT D
Page 2

Fire protection:	
Wages	57 511 24
Contracted services	<u>1 200 00</u>
	<u>58 711 24</u>
Planning and zoning:	
Wages	1 885 00
Permit fees	1 050 00
Printing and publishing	468 98
Administrator fees	<u>1 700 04</u>
	<u>5 104 02</u>
Highways and streets	<u>21 279 50</u>
Sanitation:	
Contracted services	123 068 38
Compost site	<u>539 00</u>
	<u>123 607 38</u>
Parks and recreation:	
Contracted services	<u>1 720 00</u>
Capital outlay	<u>501 96</u>
Debt service	<u>96 212 00</u>
Total Expenditures	<u>406 286 13</u>

TOWNSHIP OF SAGE
Gladwin County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended March 31, 2004

EXHIBIT E

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/04</u>
<u>Assets</u>				
Cash in bank	<u>934 25</u>	<u>1 737 892 99</u>	<u>1 736 676 53</u>	<u>2 150 71</u>
Total Assets	<u>934 25</u>	<u>1 737 892 99</u>	<u>1 736 676 53</u>	<u>2 150 71</u>
<u>Liabilities</u>				
Due to other funds	434 86	208 813 37	209 004 23	244 00
Due to others	<u>499 39</u>	<u>1 529 079 62</u>	<u>1 527 672 30</u>	<u>1 906 71</u>
Total Liabilities	<u>934 25</u>	<u>1 737 892 99</u>	<u>1 736 676 53</u>	<u>2 150 71</u>

TOWNSHIP OF SAGE
Gladwin County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year Ended March 31, 2004

EXHIBIT F

Cash in bank – beginning of year	<u>934 25</u>
Cash receipts:	
Property tax	1 736 300 99
Animal licenses	<u>1 592 00</u>
Total cash receipts	<u>1 737 892 99</u>
Total beginning balance and cash receipts	<u>1 738 827 24</u>
Cash disbursements:	
Township General Fund	209 004 23
Clare-Gladwin ISD	115 765 85
Gladwin Community Schools	482 163 88
Gladwin County	852 765 71
Mid-Michigan Community College	69 140 91
Refunds	<u>7 835 95</u>
Total cash disbursements	<u>1 736 676 53</u>
Cash in Bank – End of Year	<u>2 150 71</u>

CAMPBELL, KUSTERER & CO., P.C.

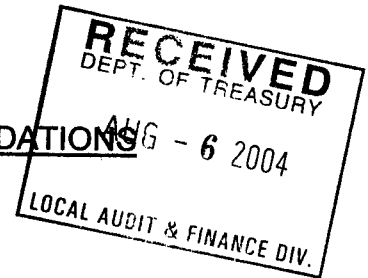
CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS



July 6, 2004

To the Township Board
Township of Sage
Gladwin County, Michigan

We have audited the financial statements of the Township of Sage, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Sage in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board
Township of Sage
Gladwin County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board
Township of Sage
Gladwin County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Sage will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants